USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 8/28/2007

GAIN Report Number: RS7059

Russian Federation

Grain and Feed

September Monthly Update

2007

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Report Highlights:
Russia's 2007 total grain production forecast has been reduced by 300,000 metric tons to 77.7 million metric tons (mmt), including 45.0 mmt of wheat, 17.3 mmt of barley, and 3.8 mmt of corn. The reduction is due to a 1.1 mmt drop in the corn forecast. Although total area planted with corn has increased, yield is forecast lower than last year due to a July drought in southern Russia. Wheat and barley production forecasts increased by 700,000 metric tons and 200,000 metric tons, respectively. Because of growing domestic demand for grain, the grain export forecast was lowered by 300,000 metric tons to 11.5 mmt, including 10.0 mmt of wheat, 1.4 mmt of barley, and 100,000 metric tons of corn.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

Table of Contents

Executive Summary

Russia's 2007 total grain production forecast[1] was lowered by 300,000 metric tons to 77.7 million metric tons (mmt), including 45.0 mmt of wheat, 17.3 mmt of barley, and 3.8 mmt of corn. The decrease is due to a 1.1 mmt drop in the corn forecast. Although total corn area has increased this year, the yield is forecast lower than last year because of a drought during July in southern Russia. At the same time, wheat and barley production forecasts increased by 700,000 metric tons and 200,000 metric tons, respectively. Because domestic demand for grain is growing, the grain export forecast was lowered by 300,000 metric tons to 11.5 mmt, including 10.0 mmt of wheat, 1.4 mmt of barley, and 100,000 metric tons of corn.

Harvest Progress

Russia's grain crop forecast has fallen to 77.7 mmt due to a decrease in the corn production forecast from 4.8 mmt to 3.8 mmt. Lower yields and corn crop losses have been caused by a drought in southern European Russia, the main corn producing area. The wheat production forecast increased by 700,000 metric tons to 45.0 mmt, and barley production forecast increased by 200,000 metric tons to 17.3 mmt.

Russian MinAg's grain crop forecast has not been updated since June, remaining at 76.0 mmt. However, MinAg's current reports on grain harvest progress have been optimistic despite excessive heat in southern European Russia and the Volga Valley in July through the beginning of August, and rainy cool weather in West Siberia in July. According to MinAg's data, by August 27 Russia harvested 55.5 mmt[2] from approximately 23.7 million hectares (52.7 percent of the total expected grain harvest area).

According to MinAg, the Southern and Central Federal Districts have almost completed the grain harvest, excluding corn. The latest update on grain crops in the Southern Federal District was made on August 13. By that date, the Southern Federal District had harvested 21.9 mmt of grain, including 6.9 mmt in Krasnodar (from 70 percent of the expected harvested area), and 4.0 mmt in Rostov oblast (from 72 percent of the total crop area). The most recent data from Stavropol (published on August 23) reported grain crops in Stavropol have already reached 6.7 mmt (from 90 percent of the expected grain crop area), including 5.66 mmt wheat. Ninety percent of wheat in Stavropol kray is recorded as milling quality wheat. Krasnodar harvested 5.16 mmt of wheat. In Rostov oblast, 3.28 mmt of wheat was harvested. Harvest in the Central Federal District is reported as finished, but recent data on the status of the harvest in this district is not available. As of August 13, the Central Federal District harvested 10.8 mmt from 4.3 million hectares (62.5 percent of the expected grain crop area).

Grain harvest is in progress in the Volga Valley Federal District. As of August 27, Volga Valley Federal District harvested 16.3 mmt of grain from 8.5 million hectares (62.6 percent of expected grain crop area).

Harvest has begun in Ural and Siberia Federal Districts. By August 27, 2007, Ural Federal District harvested 767,000 metric tons of grain from 434,100 hectares (12.3 percent of expected area).

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[1] Post's report provides updates from the previous Post's monthly update – see GAIN RS7047 July Monthly Update, 2007, sent July 9, 2007

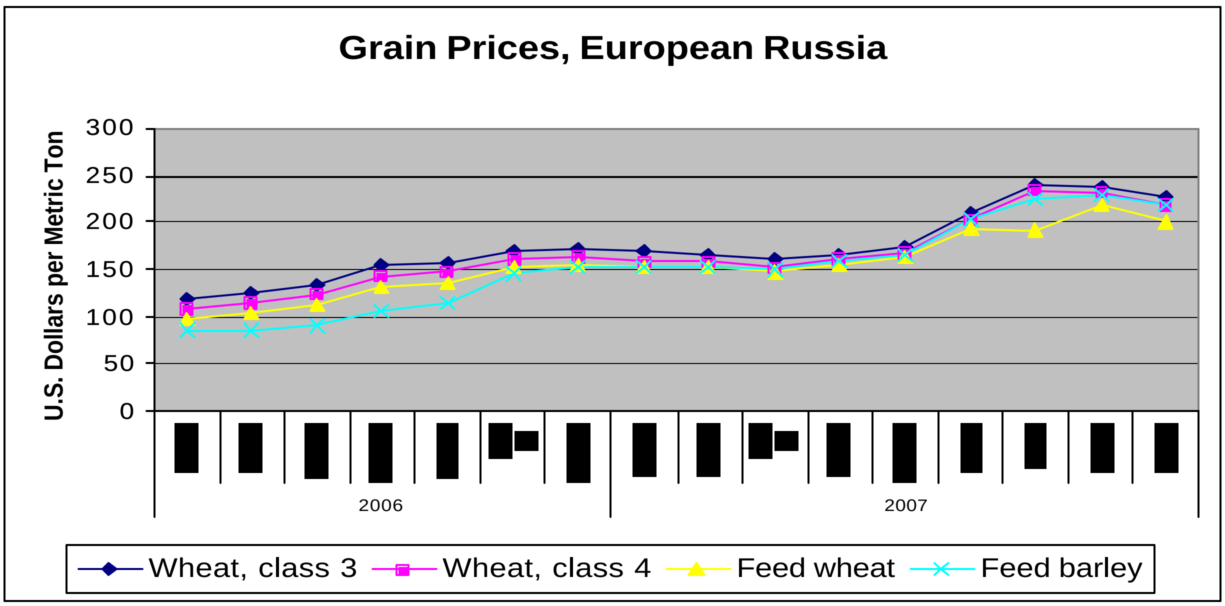
[2] Current grain harvest data are given in the "bunker weight", which is 5-7 percent more than the final "clean" weight.

Some grain-producing territories of Siberia Federal District started harvesting later than last year due to cool rainy weather in July. Weather improved by the end of August and the harvest has accelerated. By August 27, 2.1 mmt of grain from 1.1 million hectares (11.6 percent of the expected grain area) were harvested. Altay kray, the grain leader in Siberia Federal District, forecasts grain crop at 4.5–5.0 mmt, one of the best crops in the last 5 years. Sources report that farmers are extremely interested in decreasing harvest loss because for the first time in many years they benefit from both high yields and high prices. The cost of production of 1 metric ton of grain is 3,000 rubles, while the current price of grain is 4,500 rubles per metric ton (without VAT). Krasnoyarsk kray (the fourth biggest grain-producing region of Siberia Federal District) is also expected to harvest more than 1.9 mmt, 10 percent more than in 2006.

Prices

Grain prices increased rapidly throughout Russia until mid July. After harvest progress reports improved, prices stabilized at high level, but have begun decreasing slowly. The chart below shows changes in grain prices in European Russia. Prices remain very attractive for both exports and domestic sales, suggesting grain producers will receive high returns. This situation may stimulate investments in 2008 winter grain.

Chart 1. Grain Prices, European Russia, U.S. Dollars per Metric Ton, EXW



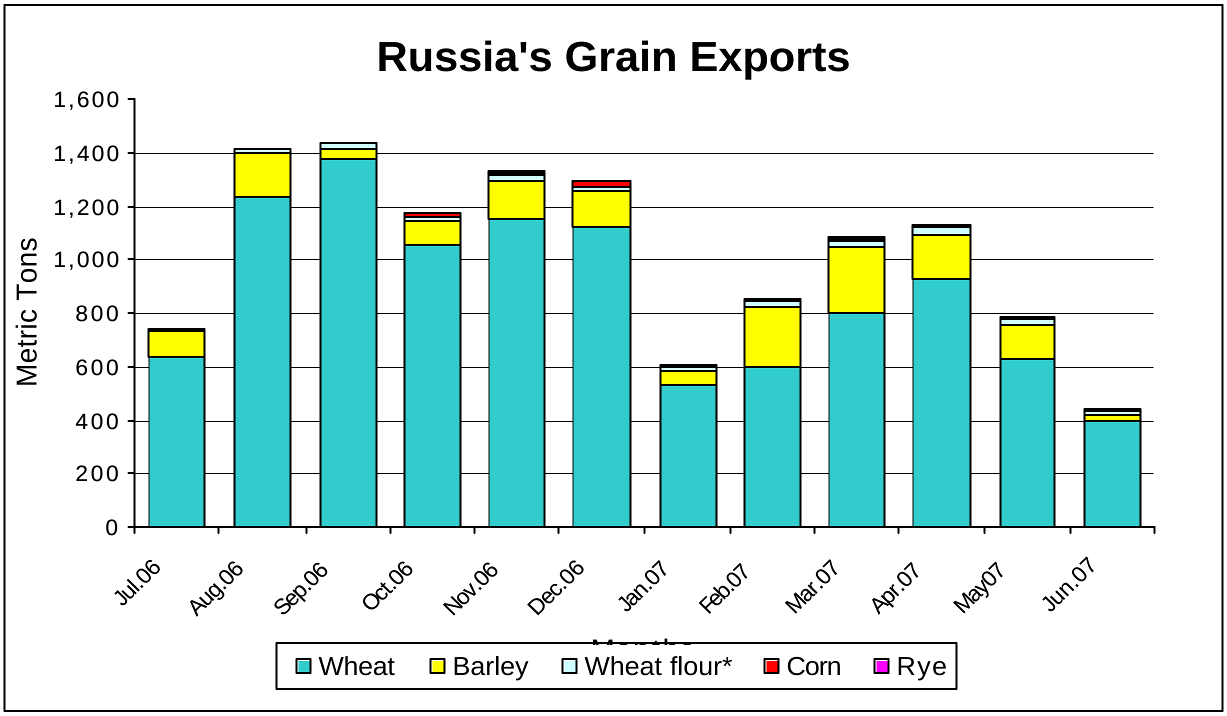
Source: “WJ Interagro”

Trade

In MY 2006, Russia’s total grain exports reached 12.2 mmt, including 10.46 mmt of wheat, 231,900 metric tons of flour in grain equivalent, 1.49 mmt of barley, and 70,700 metric tons of corn. The main destinations for wheat exports were Egypt (2.2 mmt), India (2.0 mmt), Bangladesh (0.9 mmt), Turkey (605,000 metric tons), and Georgia (510,000 metric tons). Exports nearly halted in June (Chart 1) due to an uncertain 2007 crop forecast and high domestic grain prices. Given the strained world grain supply forecast for MY 2007 and high international prices, Russia is forecasted to export up to 10.0 mmt tons of grain, but competition from domestic consumption will increase.

Russia's exports of barley were 1.49 mmt, including over 710,000 metric tons exports to Saudi Arabia. Exports in MY2007 are forecasted at 1.4 mmt.

Chart 2. Russia's Grain Exports, by Months and by Grains



Source: "SovEcon"

Marketing

Domestic flour and bread price growth in May–July 2007 combined with early reports on drought–damaged grain crops in some southern regions of European Russia caused discussions all the way to the federal government level about the necessity to intervene in the grain market. However, the Russian Ministry of Agriculture decided to wait until the grain crop situation is more clear. The decision to intervene using the 1.5 mmt's grain reserve has been postponed until mid-September. Field harvest reports have significantly improved since then.

PSD Tables

Wheat

In MY 2006/07 Russia imported 794,000 metric tons of wheat (including 752,000 metric tons from Kazakhstan), and 32,000 metric tons of wheat flour in grain equivalent. Sources report that wheat imports from Kazakhstan decreased because international wheat markets offer better prices than Russian consumers. Smaller adjustments were made in domestic consumption of wheat and stocks for MY 2006. Wheat production forecasts for MY 2007 rose to 45.0 mmt due to reports of good wheat crop in Krasnodar and Stavropol krays and good wheat crop forecasts in Ural and West Siberia. The wheat import forecast is reduced to 900,000 metric tons due to attractive international prices for Kazakh's wheat.

PSD Table										
Country	Russian Federation									
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	25400	25400	25400	23700	23700	23700	24000	24200	24200	(1000 HA)
Beginning Stocks	3891	3891	3891	3809	3809	3809	2609	2609	2509	(1000 MT)
Production	47700	47700	47700	44900	44900	44900	45500	44300	45000	(1000 MT)
MY Imports	1282	1282	1282	1200	1000	850	1200	1200	900	(1000 MT)
TY Imports	1282	1282	1282	1200	1000	850	1200	1200	900	(1000 MT)
TY Imp. from U.S.	4	4	4	0	0	0	0	0	0	(1000 MT)
Total Supply	52873	52873	52873	49909	49709	49559	49309	48109	48409	(1000 MT)
MY Exports	10664	10664	10664	10700	10600	10700	11000	10100	10000	(1000 MT)
TY Exports	10664	10664	10664	10700	10600	10700	11000	10100	10000	(1000 MT)
Feed Consumption	14900	14900	14900	14100	14100	14000	14200	14100	14100	(1000 MT)
FSI Consumption	23500	23500	23500	22500	22400	22350	22000	21900	22000	(1000 MT)
Total Consumption	38400	38400	38400	36600	36500	36350	36200	36000	36100	(1000 MT)
Ending Stocks	3809	3809	3809	2609	2609	2509	2109	2009	2309	(1000 MT)
Total Distribution	52873	52873	52873	49909	49709	49559	49309	48109	48409	(1000 MT)
Yield	1.88	1.88	1.88	1.89	1.89	1.89	1.90	1.83	1.86	(MT/HA)

Barley

In MY 2006, Russia imported almost 290,000 metric tons of barley, including 76,000 metric tons from Finland, 51,000 metric tons from Denmark, 44,000 metric tons from Kazakhstan, 37,000 metric tons from France, and 23,000 metric tons from Uruguay. However, shortage in the international supply of barley will not stimulate barley imports in MY 2007. Therefore, the forecast remains unchanged at 200,000 metric tons. Barley exports in MY 2006 reached only 1.5 mmt. High domestic demand and high barley prices are not enough to stimulate traders to export more than 1.4 mmt in MY 2007.

Country	**Russian Federation**									
Commodity	**Barley**						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	9150	9150	9150	10000	10000	10000	10000	9900	9900	(1000 HA)
Beginning Stocks	2110	2110	2110	873	873	873	1173	1073	1173	(1000 MT)
Production	15800	15800	15800	18100	18100	18100	17500	17100	17300	(1000 MT)
MY Imports	189	189	189	200	200	290	200	200	200	(1000 MT)
TY Imports	188	188	188	200	200	290	200	200	200	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	18099	18099	18099	19173	19173	19263	18873	18373	18673	(1000 MT)
MY Exports	1726	1726	1726	1600	1600	1500	1600	1500	1400	(1000 MT)
TY Exports	1397	1397	1397	2000	2000	2000	1600	1500	1400	(1000 MT)
Feed Consumption	10900	10900	10900	11800	11900	11990	11600	11600	11700	(1000 MT)
FSI Consumption	4600	4600	4600	4600	4600	4600	4500	4400	4500	(1000 MT)
Total Consumption	15500	15500	15500	16400	16500	16590	16100	16000	16200	(1000 MT)
Ending Stocks	873	873	873	1173	1073	1173	1173	873	1073	(1000 MT)
Total Distribution	18099	18099	18099	19173	19173	19263	18873	18373	18673	(1000 MT)
Yield	1.73	1.73	1.73	1.81	1.81	1.81	1.75	1.73	1.75	(MT/HA)

Corn

PSD Table										
Country	Russian Federation									
Commodity	Corn						(1000 HA)(1000 MT)(MT/HA)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	850	850	850	1000	1000	1000	1250	1400	1300	(1000 HA)
Beginning Stocks	241	241	241	144	144	144	194	194	144	(1000 MT)
Production	3200	3200	3200	3600	3600	3600	3500	4800	3800	(1000 MT)
MY Imports	306	306	306	250	250	200	200	50	200	(1000 MT)
TY Imports	306	306	306	250	250	200	200	50	200	(1000 MT)
TY Imp. from U.S.	15	15	15	0	0	0	0	0	0	(1000 MT)
Total Supply	3747	3747	3747	3994	3994	3944	3894	5044	4144	(1000 MT)
MY Exports	53	53	53	100	100	100	100	200	100	(1000 MT)
TY Exports	53	53	53	100	100	100	100	200	100	(1000 MT)
Feed Consumption	3000	3000	3000	3200	3200	3200	3100	3700	3250	(1000 MT)
FSI Consumption	550	550	550	500	500	500	500	650	600	(1000 MT)
Total Consumption	3550	3550	3550	3700	3700	3700	3600	4350	3850	(1000 MT)
Ending Stocks	144	144	144	194	194	144	194	494	194	(1000 MT)
Total Distribution	3747	3747	3747	3994	3994	3944	3894	5044	4144	(1000 MT)
Yield	3.76	3.76	3.76	3.6	3.6	3.6	2.8	3.43	2.92	(MT/HA)